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1929

INTERNATIONAL BIMETALLISM,

BY

EMILE DE LA VELEYE.

"More counsel, with more money."

Timon of Athens, iv. 3.

"Had all men but a single creed,
Faithful to God, and just in deed;
One weight, one measure, corn, and gold,
'Twere better for all an hundredfold."

The Landgrave Philip of Hesse, 1660.

"The intrinsick Value of Silver" [or of Gold], "considered as Money, is that Estimate which common consent has placed upon it."—JOHN LOCKE.

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The Editor of this English Reprint of the original French Lecture has collected the marginal notes from various sources, including a work by the same author, M. Emile de Laveleye, the whole having been arranged with his consent.

Kings Norton, December, 1881.

FREDERICK ASH.

"Our currency, our local government, our liquor laws, remain in a state either positively discreditable, or inviting and demanding great improvement; but for want of time and strength, we cannot handle them."—*W. E. Gladstone—Nineteenth Century, August, 1877.*

"There is no contract, public or private, no engagement, national or individual, which is unaffected by it. The enterprises of commerce, the profits of trade, the arrangements made in all the domestic relations of society; the wages of labour, pecuniary transactions of the highest amount and of the lowest, the payment of the national debt, the provision for the national expenditure, are all affected by the decision we come to on this great question."—*Sir Robert Peel's Speech on the Bank Charter Act, 1844.*

"The real difficulties of the state and the present danger will be found to lurk under this question of the currency."—*Sir James Graham on Corn and Currency.*

"Nevertheless, it is the state of the currencies of the world which threatens to make money dear, not only for the moment, but also, with only occasional and slight intermission, for years to come. Let us not bury our heads in the sand, but look carefully at this *everrney* difficulty which is pressing on us, and which, if properly understood, is the key to the position."—*Daily News, Oct. 18, 1881.*

"The United States might take the single gold standard like ourselves, and this is what, till very lately, every English economist would have advised them to do. *The evils of this plan had not then been seen.*"—*Economist, September 2nd, 1876.*

"1874 to 1878 represents the setting sun of our prosperity."—*W. E. Gladstone, April 5th, 1881.*

"But from 1860, down to the most recent experience, an experience by its nature abnormal and transitory, the progress of France was without a check."—*Times, July 23, 1880.*

"Bigoted legislators and public writers may say what they please, but there is no other cause but the contraction and expansion of the operation of the money power of sufficient force to account for general distress or prosperity in trading affairs. There is no instance of adversity within the last twenty-five or twenty-eight years that has not been preceded and produced by a prodigious contraction of the operation of the money power; and no instance of prosperity that has not been preceded and produced by its expansion."—*Circular to Bankers, 1847.*

"But they say, if foreign countries inundate us with their productions, they will carry off all our cash; and what would that matter if they did? Man is not fed with coin, he is not dressed in gold, nor warmed with silver. What matters it how much money there is in a country if there be more bread in the cupboard, more joints on the hook, more linen in the presses, and more wood in the basket?"—*Fredrick Bastiat, Paris, 1877.*

"All intelligent writers on currency agree that when it is decreasing in amount, poverty and misery must prevail."—*William H. Crawford.*

"A land overcrowded with a dense mass of ill-fed, ill-clothed, and poorly-housed inhabitants is surely a miserable spectacle. Modern Europe, alas! contains populations in whom it might almost seem the Mosaic prediction had been fulfilled—'In the morning thou shalt say, Would God it were even! and at even thou shalt say, Would God it were morning!'"—*Sir Thomas Brassy on Depression of Trade, "Nineteenth Century," May, 1879.*

INTERNATIONAL BIMETALLISM.

An Address read before the French Institute (Academy of Moral and Political Sciences), Paris, May 10th, 1881, by EMILE DE LAVELEYE.

[F I venture to speak of money before this assembly, it is to obey the wishes of my eminent and regretted master, Wolowski, who, during his last illness, wrote to me with a hand already feeble: "My strength fails me, but continue to defend our cause, which is the true one." I have fought, at first under the banner of another of our colleagues, no less distinguished, M. de Parieu, the apostle of the great and fruitful idea of monetary unions, which he had the good fortune to realise in 1865, in creating the Latin Union, a success well merited by his perseverance and devotion. I have seen in it one of the phases of this movement of assimilation, which, by a series of international agreements, tends to give to civilised people an identical economical legislation. Money being the indispensable instrument of the settling of commercial balances between one country and another, it is incontestable that it would be a very great progress if the different States could be made to adopt a common money received everywhere in payment for one same value. At the time of the monetary conference of 1867, presided over by M. de Parieu, it was hoped to obtain it by the general adoption of a gold standard. It was already believed that we should soon see one universal piece of gold circulate in the whole world, worth 25 francs in the Latin Union, in England £1 sterling, in Austria 10 florins, in the United States 5 dollars. Wolowski contended then that it was impossible to introduce everywhere the English system of the single gold standard,* and that if one wished to induce civilised

* The Commissioners of the Convention, 23rd Dec., 1865, adopted with eagerness and enthusiasm the plan to extend the circulation of the gold and silver coinage of the four States (France, Italy, Spain, and Belgium) on equal terms, without reference to the mint in which they were struck, or the effigy they bore. Their intention was, that from Antwerp to Brindisi travellers should pay their way in the same coin without any risk, or inconveniences of national exchanges. . . . M. Chevalier proposed in 1862

people to accept the same monetary system, that can only be by making lawful the simultaneous employment of two precious

a gold coinage, bearing on one side the effigy of Queen Victoria, and on the obverse that of Napoleon III.; he also renounced the predilection he had previously expressed in favour of an exclusively silver standard, on the ground that the recent discoveries of gold had made the value of that metal subject to far more fluctuation than silver, and that permanence of value is a condition of the first importance to the standard of currency."—*Edinburgh Review*, p. 389, 1866.

"An English 1s. piece, [in silver, or gold, or both,] the 5th of a pound, might thus represent the dollar current in America and in several of our Colonies; it would also represent 2 Indian rupees and 5 European francs, conditions which would give it currency in all parts of the world."—*Edinburgh Review*, p. 395, October, 1866.

"But I wish here to point out that I believe it is possible for England and France, if they can make up their minds to give up a little of their prejudices for the sake of the great advantage of having an international coinage, to obtain that object. I will first show the House how that can be done. The French are proposing to coin a 25 franc gold piece, 5 francs more than the Napoleon, that would be less in value than the Sovereign by 22 centimes, or about 2d. And I think it very possible, if France would meet us in this way, should Parliament be induced to look at the matter from the point of view I have put it, we might come to some arrangement by which we should get the blessing of one coinage throughout Europe—a great step in civilisation."—*The Right Hon. Robert Lowe, Chancellor of the Exchequer—Report of Monetary Conference*, p. 382, 1878.

"If all the nations of Europe adopted the system of Great Britain, the price of gold would be raised beyond measure, and we should see produced in Europe a result lamentable enough."—*Leon Faucher*, 1843.

"The sum total of the precious metals is reckoned at fifty milliards, one-half gold and one-half silver. If, by a stroke of the pen, they suppress one of these metals in the monetary service, they double the demand for the other metal, to the ruin of all debtors."—*M. Wolowski*.

"We have not to do with ideal theories. The two moneys have actually co-existed since the origin of human society. They co-exist because the two together are necessary, by their quantity, to meet the needs of circulation. This necessity of the two metals, has it ceased to exist? Is it established that the quantity of actual and prospective gold is such that we can now renounce the use of silver without disaster?"—*M. Rouland*.

"The simultaneous employment of the two precious metals is satisfactory, and gives rise to no complaint. Whether gold or silver dominates for the time being, it is always true that the two metals concur together in forming the monetary circulation of the world, and it is the general mass of the two metals combined which serves as the measure of the value of things. The suppression of silver would amount to a veritable destruction of values without any compensation."—*Baron Rothschild*.

metals, with a fixed value, as the French law of 1803† has made it. He brought to bear in the debate all the ardour of a very firm

“Debtors, and among them the state, have the right to pay in gold or silver, and this right cannot be taken away without disturbing the relation of debtors and creditors, to the prejudice of debtors, to the extent of perhaps one-half, certainly of one-third. To increase all debts at a blow, (*brasquement*.) is a measure so violent, so revolutionary, that I cannot believe that the government will propose it, or that the Chambers will vote it.”—*Emile de Laveleye*.

“Silver will gradually take the place of this currency, and, further, will become the standard of values, which will be hoarded in a small way. * * * I confess to a desire to see a limited hoarding of money. But I want to see a hoarding of something that is a standard of value the world over. *Silver is this.*” [Six months after he had signed the law discrediting it.]—*President Grant, October 3, 1873.*

“They (the United States) have been in the use of the two metals from the time the Government was organised. It is no new system which they propose to establish; it is the old system—that under which they have long lived and prospered—to which they are returning. From 1792 to the day (February 12th, 1873) when, by a sort of inadvertence, the silver standard was suppressed, not a merchant, not a banker, not a manufacturer, not an establishment nor an interest of any kind, could be cited as having raised any objection to the simultaneous use of the two metals.”—*Report of Monetary Conference, p. 21, 1878.*

“To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full with the evils of a scanty circulation.”—*Alexander Hamilton.*

“I concur with you that the unit must stand on both metals.”—*Thomas Jefferson.*

“Most people are aware that previous to 1819 our circulation was a paper one, but few are aware that previous to the suspension of cash payments (1797) it was Bimetallie, and not measured by a gold standard. Of this fact it must be supposed that Sir R. Peel was not conscious when he made his famous speech on the resumption of cash payments in 1819. He said—‘Every consideration of sound policy, and every obligation of strict justice, should induce us to restore the ancient and permanent standard of value.’ Now this is precisely what he did not do, but what the Bimetallists are now advising; we wish for a return to the ancient standard of the realm with the rest of the nations of the earth.”—“*What is a Pound?*” by H. R. Grenfell, Governor of Bank of England, in “*Nineteenth Century*,” June, 1881.

“Of all the great effects produced upon human society by the discovery of America, there were probably none so marked as those brought about by the great influx of the precious metals from the New World to the Old. European industry had been declining under the decreasing stock of the

conviction and sure and varied arguments which his great learning supplied him with. I could not resist the force of his

precious metals, and an appreciating standard of values; human ingenuity grew dull under the paralysing influences of declining profits, and capital absorbed nearly all that should have been divided between it and labour. But an increase in the precious metals, in such quantity as to check this tendency, operated as a new motive-power to the machinery of commerce. Production was stimulated by finding the advantages of a change in the standard on its side. Instead of being repressed by having to pay more than it had stipulated for the use of capital, it was stimulated by paying less. Capital, too, was benefited, for new demands were created for it by the new uses which a general movement in industrial pursuits had developed; so that if it lost a little by a change in the standard, it gained much more in the greater demand for its use, which added to its capacity for reproduction, and to its real value.

The mischief would be great, indeed, if all the world were to adopt but one of the precious metals as the standard of value. To adopt gold alone would diminish the specie currency more than one-half; and the reduction the other way, should silver be taken as the only standard, would be large enough to prove highly disastrous to the human race."—*Mr. R. M. T. Hunter*.

"Professor Jevons altogether denies that the world has suffered any very serious evil from the appreciation of gold or depreciation of silver during the last few years, or that there is any serious evil to be apprehended from the nations of the world choosing silver or gold for their standard as they please. He also points out what we have often observed ourselves—that while Governments may agree to adopt bimetallism, it is impossible to say what the result would be."—*Times*, April 23, 1881.

"America has been taking at least twenty millions sterling per annum off the gold markets of the world. That is to say, America alone has required the whole of the annual production in order to permit her to accumulate what she required for her new currency."—*Daily News*, Oct. 18, 1881.

"A fall in the value of the precious metals, caused by the greater facility of their production, or by the discovery of new sources of supply, depends in no degree on the theories of philosophers, or the decisions of statesmen or legislators, but is the result of circumstances beyond human control; and although, like a fall of rain after a long course of dry weather, it may be prejudicial to certain classes, it is beneficial to an incomparably greater number, including all who are engaged in industrial pursuits, and is, speaking generally, of great public or national advantage."—*Encyclopædia Britannica*, 1859.

"There were in operation many causes besides over-production, which was sometimes the cause and sometimes the consequence of depression. People had not too many clothes, but they had no money to buy them."—*Mr. Muddella—Times*, March 3rd. 1879.

reasoning and of his proofs. I remained faithful, nevertheless, to the idea of a universal monetary union, drawn up by M. de

"In short, the supply of gold has fallen off to a greater extent than trade and production have done. No doubt there was one world-wide cause which underlies the whole matter, viz., that the limits of the consuming power had been reached in 1873. As Lord Derby has reminded his Lancashire hearers, however many stockings might be produced in the mills, every man has only two legs. And he might have added, that however much people may desire to have more stockings, or any other commodity, there is a bottom to every man's pocket. The world has not yet re-found the purse of Fortunatus."—*Edinburgh Review*, p. 454, 1879.

"If the coinage of silver was suppressed in France, less would come here, as it would no longer be attracted by the facility which commerce now has of converting it into money. It is this power of converting the bullion into money which attracts silver to France, and causes it to remain, even when the price is for the moment too high to admit of its being coined.

"The circulation of silver serves as a reserve, when, by reason of the failure of the harvests, it is necessary to buy corn in countries in which, as in Russia, the current money is silver. If that metal should be reduced to merchandise in France, as it is in England, commerce would have less facility in procuring it, and the reserve of it in the country would disappear."—*The French Baron Rothschild*.

"I attribute the monetary disturbance that has occurred—and is now, to a certain degree, acting very injuriously to trade—I attribute it to the great changes which the Governments in Europe are making with reference to their standards of value. Our gold standard is not the cause of our commercial prosperity, but the consequence of our commercial prosperity. It is quite evident we must prepare ourselves for great convulsions in the money market, *not occasioned by speculation or any old cause* which has been alleged, *but by a new cause* with which we are not sufficiently acquainted, and the consequences of which are very embarrassing; and no one would be able to form an adequate idea of the monetary arrangements of the times in which he lives if he omits from his consideration the important subject to which I have called your attention."—*Mr. Disraeli—Glasgow, Nov., 1873*.

"Should an inattentive reader ask in objection, 'Why then the present depressed state of trade, when our stock of gold is as large as ever?'—we would remind him, not merely that the annual supply of gold has greatly declined, but of the still more important point, that money (as we have carefully stated), although a most potent auxiliary of trade, is not the primary or creative force. To use our own words—it gives wings to trade; but trade can only exist in so far as there is the power to produce, and the means and desire to consume. In proportion as these are wanting, trade declines—a dead bird still has its wings, but it cannot fly."—*"Gold and its Effects on Trade," Edinburgh Review, April, 1879*.

"But despite these advantages, there is no doubt but prices, profits, and wages are falling in very many industries which have hitherto been prosperous. We will attempt to enumerate the principal causes which have

Parieu, but I pursued it henceforth in the way which alone appears to me able to lead to the general adoption of the essential principles of the French system. Recent events seem to

effected this result; some of them are local, some are shared with other countries. The first cause in importance, the most general, and in all probability the most enduring, is the rapid rise in the economical value of gold.

"While the area of civilisation is widening, and therefore the demand for an adequate currency is being extended, the most populous State of Europe has abandoned a silver for a gold currency, and has had as a fruit of its successful war with France an exceptional power of attracting gold to itself—with singular success indeed, but to the incredible misfortune of its people."—*Professor Thorold Rogers—Report of Monetary Conference, p. 388, 1878.*

† "It was in 1792 that the first coinage law was passed, and by this law the ratio between the two metals was fixed at 1 to 15. (In 1785, France had this ratio, and then altered it to 1 to 15½.) At this epoch neither France nor her monetary allies of to-day had yet established the relation of 1 to 15½. In 1834-7, the ratio had been changed to 1 to 15·98, or, to use a common expression, 1 to 16; this was maintained until 1873. Notwithstanding these varying phases of our monetary history, the silver dollar has never been touched; the gold coins have been changed, but the silver dollar has remained such as it was in the first days of the Republic."—*Report of Monetary Conference, p. 21, 1878.*

"That as long as the French law was in operation, only unimportant fluctuations arose in the relation of the two metals, whatever the productions of the one or the other. . . . That if the French law alone attained this result it becomes evident—a *fortiori*—that when there is a binetallie treaty between France, England, and the United States, the relation would be fixed with such solidity, that it would become unshakable."—*Count Rusconi, Italian Delegate, Monetary Conference, p. 207.*

"Though England had a gold standard, she had great interest in the maintenance of silver as currency. She had moreover a more definite and less compromised position for the discussion of this question than other countries, for she had borne the depreciation of silver in India without trying to shut her doors against it. She had done more than any other country to maintain silver [always excepting that in 1816 she was the first to discredit it]. The Latin union had shut their doors against it; Holland had half shut hers. While others, afraid of a further depreciation, had taken definite and restrictive measures, England had allowed silver to take its natural course, and for five years had borne the burdens resulting therefrom. The Indian government had suffered a great loss; the merchants had suffered from fluctuations in value; and public functionaries had suffered from the depreciation; but England had given proof of her faith in gold and silver, by waiting to see whether it would not recover its former value."—*Mr. Goschen—Monetary Conference, p. 213.*

have brought, to the opinion of Wolowski, a confirmation so decisive, that one sees many economists amongst the most learned and distinguished of Europe and America subscribe to his theories, completed by M. Cernuschi. In proportion as the teaching becomes more clear and more irresistible, the adhesions and conversions become more numerous and important. There exists to-day in political economy, two schools, the historical or "*réaliste*" school, which employs from preference the inductive

"The action of Government, therefore, gives money its value; and if all Governments agree, they can, at least, go so far in determining the value of money as to fix the ratio of value between gold and silver money. It is unnecessary to go back farther than the reigns of Charles II. and James II. At that time silver had for centuries been the money of account and the standard of value. In the early years of William III.'s reign the silver coins had become clipped and defective to the extent of nearly half their weight; prices at home and exchanges abroad were thrown into confusion; the evil became insufferable; and at last, under the guidance of Montagu and by the advice of Locke, the old silver coinage was called in and good silver coins were issued, at a loss to the nation of about £3,000,000. Lord Liverpool says—

"The high rate of the gold coins to which the people then voluntarily submitted can only be ascribed to the preference which at that time began to be given to the use of gold coins in all payments, at least of considerable amount. It is evident that during the late re-coinage the common people had become accustomed to the use of the gold coins, and the reason which induced them still to prefer them was, perhaps, the convenience of making large payments in coins of that metal. This change from what had been the case in the reign of Charles II. was probably owing to the great increase in the commerce of the country, and to an augmentation in the price of every commodity, so that payments in general required coins made of the most valuable metals. The fact certainly is that from this period the gold coins began to take the ascendancy, and to become the more usual instrument of commerce and measure of property, in preference to the silver coins. In the reign of King William, when the silver coins were so very deficient, Mr. Locke had said—'It is no wonder if the prices and value of things be confounded and uncertain when the measure itself is lost.' To restore this measure the public had expended £2,700,000. But notwithstanding so great an expense, this measure of property in the lapse of a very few years was a second time lost, and had again no existence, unless it had passed into the gold coin.'

"In this state of things the Government of George I., on the advice of Sir Isaac Newton, determined to fix by law the value of the gold guinea, wishing apparently to prevent the exportation of the silver coin. They did not, however, reduce it from 21s.6d., the then current value, to 20s.6d., the actual value, but only to 21s., leaving it still above the market value of the coin in silver."—*Letter in "Times," May 22nd, 1881.*

method, and the orthodox or rational school, which makes use principally of the deductive method.

The inductive school examines the facts stated by history and statistics, and it endeavours to gather from them rules applicable to the administration of economical interests. The deductive school studies the nature of man, and infers absolute and universal laws, which it calls "natural laws." The first will say that political economy is a "science greedy of facts;" the second will affirm that the principles of it are evident. The one lost in the thousand complications of industrial and commercial life does not always arrive at ideas sufficiently exact, the other, on the contrary, from the weight of its abstract axioms, promulgates dogmas to which experience brings too frequent contradictions. The rational school employs the process of reasoning of the 18th century, and of the French Revolution; the historical school those which Savigny and his successors have applied to the study of the law. These oppositions of course are only met with, amongst different economists, with very varied shades of opinion, reduced sometimes to simple tendencies. However, if it is necessary to cite some representatives of the two schools, I will name, for the deductive school, Ricardo and Tracy, and for the historical school, Roscher and Adolf Wagner. On the subject of money the theories of the two schools are distinguished clearly. The historical school will say, nature has endowed two metals with all the monetary qualities. All the manuals of political economy, in enumerating the special properties which have made silver and gold be adopted as money, make no distinction between the two precious metals. History teaches us that, in spite of very imperfect regulations, civilised people have always simultaneously employed them. In wishing to modify suddenly, according to the abstract theories, situations which are the result of the slow evolution of centuries, profound and disastrous disturbances are inflicted on society. Let us then consecrate by legislation this natural and historical fact, and constitute one bimetallic money. The rational school will say: It is as contrary to reason to employ two metals for measure values, as in political organisation to have two rooms. A people having only one will, must elect only one representative body to manifest it. To work the exchanges one metal suffices; it is necessary then at any price to exclude the other. The historical deed fact has been an error. Legislature has exceeded its powers.

Money is a merchandise. The value of merchandise is ruled by the action of supply and demand, not by arbitrary laws. Gold and silver are merchandise, then the law can only fix between these two metals a corresponding value. If the legislature commits this fault, commerce will not obey. It will always take away from circulation the most sought-after metal, so as only to leave there the least-valued metal, whether gold or silver.

Other writers, as Adam Smith for example, make use of the two methods in turn. In order to decide which of the two arguments is right concerning the monetary system, it is necessary to go back even to the first idea of money.

Antiquity has left us two definitions equally profound, the one due to Aristotle, the wisest of philosophers, the other to Paulus, the most discerning of lawyers. These are the words in which Aristotle defines money in the admirable book which ought to be the breviary of the statesman and the politician: "Necessity introduced money. It was agreed to give and to receive in exchanges a material which, useful by itself, was easily handled in the habitual customs of life; it was of iron, for example, of silver or other similar substance, of which they determined first the size and the weight, and then, in order to do away with the inconvenience of continual measuring, they marked it with a particular impression—the sign of its value. But money by itself is only a frivolity, a futility; it is only valuable by law and not by nature, since a change of agreement amongst those who make use of it can completely depreciate it, and render it quite useless to satisfy any of our wants." Aristotle gives elsewhere for root to the word *nomisma*—money, the word *nomos*—law. The lawyer Paulus, going back to the origin of money, expresses himself pretty much as Aristotle: "The origin of sale and purchase is found in barter." Money was unknown, and they had no words to distinguish "merchandise" and "the price," but everyone following the wants of the moment and of the circumstances exchanged that which was useless to him for that which was useful to him, for it often happens that one person has in excess that which another wants. But, as it did not always happen that you possessed exactly that which I desired to have, and that reciprocally I could offer that which you would except, a material was chosen of which the legal and perpetual value obviated the difficulties of exchange, by equality and quantity. This substance, marked with an official stamp, derived its use and its power of pay-

ment not from its substance but from its quantity. Since then the two things exchanged are no more called "merchandise," but one of them only, the other is called "the price."

The whole theory of money is summed up in this passage with an accuracy of expression and a profoundness of light that one cannot sufficiently admire. The language of the jurists it must be confessed is more exact than that of the economists. It is the result of a long and continual elaboration, which goes back at least to the law of the Twelve Tables, whilst ours only dates from one century and ought to explain the intricacies often badly distinguished from the reality. Thus, according to Aristotle, money is a public institution; it derives its value, not from nature, but from law. It is the use that is made of the precious metals (of little use by themselves) that makes the value of them. What proves it is, that if they are removed by agreement from this usage, that value disappears almost entirely. We find here, indicated by Aristotle, the cause of the monetary disorder from which civilised people at this moment suffer. Germany has demonetised silver.* The other States have been

* "Prince Bismarck has made two remarks on this subject, which, being the expression of the actual truth, settles the question. Speaking in 1879 to Mr. Kelly, an American Congress-man, of the German monetary reform of 1873, he said—'We listened in this matter to an eminent economist, and we now see that we have only put plain water into our soup boiler.'"

"Recently, in the Reichstag, he thus summed up his opinion—'Gold has become like too-scanty a blanket, which everyone struggles for, and which makes people squabble.'"—*Emile de Laveleye*—"The Battle of the Standards," 1881 (London, P. S. King).

"Upon this one point all authorities on the subject are agreed, to wit, that the large increase in the supply of gold has given a universal impetus to trade, commerce, and industry, and to general social development and progress."—*Ernest Seyd*, 1868.

Mr. Ricardo said—"The question was not deserving half an hour's consideration of the house. The difficulty was only that of raising the currency three per cent. in value, and who can doubt that even in those states in which the currency is entirely metallic it often suffered a variation equal to this without inconvenience to the public."—*May 24th, 1819.*

Shortly before Mr. Ricardo died in 1823, he said to the late Sir William Heygate—"Ay, Heygate, you and the few others who opposed us on the cash payments have proved right. I said the difference only at most would be only five per cent., and you said that at the least it would be twenty-five per cent."

obliged to reject from their mints that metal, which becoming again simple merchandise, has lost a part of its value which its employment as money gave to it. Paulus takes up the idea of Aristotle, but he completes it by a fact which throws a light on the whole subject. Law chose a material as a medium of exchange—it marked it with an official print—it warranted the weight of it and the standard of a permanent value; but its power of acquisition depends not on its substance, but on its quantity. That word alone explains all the so complicated phenomenons of the variation of prices. If money increases in quantity, prices rise; if it diminishes in quantity, prices lower.* The monetary

This is stated on the authority of the late Alderman Heygate. It is a pity that Mr. Ricardo did not publish this as some atonement for the tremendous mischief he then, past doubt, occasioned.—See *Doubleday's Financial History of Sir Robert Peel's Life*, vol. 1, p. 245.

"But my friend (Mr. A. Baring) must take the present market price of silver, and not the old mint price, for the standard. The market price is now 4s. 11d., the mint price, when silver was a legal tender, was 5s. 2d. If my hon. friend should take the mint price for the standard of value, he would depreciate the standard; if he should take the market price, he will not adhere to the ancient standard."—*Sir Robert Peel*, April 22nd, 1833.

"I have always contended that on the adoption of a gold and silver standard, it must be so regulated as not to lower the general value of the pound sterling."—*Alex. Baring*, April 22nd, 1833.

"So far this year the fluctuations in the value of silver have had a most disastrous effect. The value of the tael has sunk to the lowest point known in the history of the trade, and a revival which promised work and wages for Lancashire was checked and trade disorganised. Each day's trade is a mere gambling transaction, fluctuations in the price of produce being equalled in the fluctuation of the price of the metals for which it is exchanged, and the merchant finds all his calculations upset by the unfavourable price of silver, and a ruinous loss is made, when he was fully justified in expecting a fair margin of profit."—*The Shanghai Correspondent of the "Times"*, June 1, 1879.

* "The value of money is in the inverse ratio of its quantity; the supply of commodities remaining the same,—

Increase the quantity of money, prices rise.

Decrease the quantity of money, prices fall.

On the other hand, the quantity of money remaining the same,—

Increase the quantity of commodities, prices fall.

Decrease the quantity of commodities, prices rise.

Thus a decrease of the quantity of money produces the same effect on the price of a commodity as an increase of the quantity of the commodity itself; if corn be that commodity, an addition to the value of money, such

unit, the franc for example, purchases so many more things when it is scarce, and so many less when it is abundant, although the substance, which is five grammes of silver, remains the same. The law can determine what shall be the instrument of exchange,

as the diminution of its quantity occasions, *insures as effectually a fall in the price of corn*, as the opening of the ports and free importation; in which of the two cases prices would fall lowest, is a simple question of proportion between the increased supply of corn and the decreased quantity of money."—*Sir James Graham's Corn and Currency*.

"It is in the shadow of a shrinking volume of money that disorders, social and political, gather and fester, that communism organizes, that riots threaten and destroy, that labour starves, that capitalists conspire and workmen combine, and that the revenues of government are dissipated in the employment of labourers, or in the maintenance of increased standing armies to overawe them."—*Emile de Laveleye—"The Battle of the Standards," page 55, 1881.*

"In 1815 a new policy was adopted, and 80s. was established as the price at which foreign corn might be admitted. An important change occurred in 1819, which really affected the price of corn. The attempt to keep up the prices of corn at 80s. entirely failed; for the right honourable baronet, in 1819, introduced a change in the currency, and restored the standard of value. It is remarkable to observe the effect during the five years before and five years after 1820. In 1816, the price was 78s.; in 1817, 96s.; in 1818, 86s.; in 1819, 74s.; and in 1820, 67s.; thus, even in 1820, a great difference in the price had been produced; but the average of the five years was 80s. 9d. per quarter. What was the case in the five years following 1820? In 1821, the price was 56s.; in 1822, 44s.; in 1823, 52s.; in 1824, 63s.; and in 1825, 68s., giving an average of 57s. 3d., instead of the former average of 80s. 9d. That average from 1820 to 1825 does not much differ from the average from 1830 to 1840. It was not therefore any alteration in the corn laws that had produced the alteration of price, but the alteration in the monetary system."—*Lord John Russell's Speech on the Corn Laws, 1843.*

"Diminishing money and falling prices are not only oppressive upon debtors, of whom, in modern times, states are the greatest, but they cause stagnation in business, reduced production, and enforced idleness. Falling markets annihilate profits, and as it is only the expectation of gain which stimulates the investment of capital in operations, inadequate employment is found for labour, and those who are employed can only be so upon the condition of diminished wages. An increasing amount of money, and consequently augmenting prices, are attended by results precisely the contrary. Production is stimulated by the profits resulting from advancing prices: labour is consequently in demand and better paid, and the general activity and buoyancy insure to capital a wider demand and higher remuneration."—*The American Review, 1876.*

but it cannot fix the amount of things it will purchase, for that will depend upon the number of monetary units which appear in

Richard Cobden, Esq., before the Parliamentary Committee on Banks of Issue, in 1840, makes the following impressive statement :

"I could adduce a fact derived from my own experience, that would illustrate the heavy losses to which manufacturers were exposed in their operations, by those fluctuations (in 1837) in the value of money.

I am a calico printer ; I purchase the cloth, which is my raw material, in the market ; and have usually in warehouse three or four months' supply of material. I must necessarily proceed in my operations, whatever change there may be—whether a rise or a fall in the market. I employ 600 hands ; and those hands must be employed. I have fixed machinery and capital, which *must* also be kept going ; and, therefore, whatever the prospects of a rise or fall in prices may be, I am constantly obliged to be purchasing the material, and contracting for the material on which I operate. In 1837, I lost by my stock in hand, £20,000, as compared with the stock-taking in 1835, 1836, and 1838 ; the average of those three years, when compared with 1837, shows that I lost £20,000 by my business in 1837 ; and what I wish to add is, that the whole of this loss arose from the depreciation in the value of my stock.

My business was as prosperous ; we stood as high as printers as we did previously ; our business since that has been as good, and there was no other cause for the losses I then sustained but the depreciation of the value of the articles in warehouse in my hands. What I wish particularly to show is, the defenceless condition in which we manufacturers are placed, and how completely we are at the mercy of these unnatural fluctuations. Although I was aware that the losses were coming, it was impossible I could do otherwise than proceed onward—with the certainty of suffering a loss on the stock ; to stop the work of 600 hands, and to fail to supply our customers would have been altogether ruinous ; that is a fact drawn from my own experience. I wish to point to another example of a most striking kind, showing the effect of these fluctuations on merchants. I hold in my hand a list of 36 articles, which were imported in 1837, by the house of Battenworth and Brookes, of Manchester, a house very well known ; Mr. Brookes is now Borough-reeve of Manchester. Here is a list of 36 articles imported in the year 1837, in the regular way of business, and opposite to each article there is the rate of loss upon it as it arrived, and as it was sold. The average loss is $37\frac{1}{2}$ per cent. on those 36 articles, and they were imported from Canton, Trieste, Bombay, Bahia, Alexandria, Lima, and in fact all the intermediate places almost. This, I presume, is a fair guide, to show the losses which other merchants incurred on similar articles."—*Tract for the Times*.

"One of the most wonderful events in the history of the world happened, and that was the discovery of gold in California. In 1852, 36 millions of gold were poured into Europe, and when your lordships recollect that the business of the world until that time was carried on by an amount of gold which, I believe, never reached six millions a year, you can

the market to purchase goods. An American economist, Dana Horton, in an essay, "Money and the Law," which I have tried to translate, and which I have placed upon the desk, has shown the

at once apprehend the effect of this discovery. In one year there came 36 millions of gold, and in five years 150 millions were poured into Europe. The consequence was that prices were raised immensely. But a most marvellous thing occurred also shortly after. There was a commission of all the great States of Europe, who took advantage of the holding of the Exhibition at Paris to meet there with the consent of their Governments to consider whether a uniform system of coinage could not be established in the world, and they came to a resolution that a uniform coinage could be established, and that advantage ought to be taken of the gold discoveries. Whatever may have been the exact circumstances of the case, which was in the result such as I have indicated, the Government of Germany, which had 80 millions of silver, availed themselves of the great change of which I am speaking, and substituted gold for their 80 millions of silver. France resolved that her bimetallic currency should, if possible, be replaced by entirely a gold currency; and the example of those two countries was followed by Holland and the smaller States of Europe. We cannot, therefore, be surprised at the great revolution in the price of silver when both France and Germany, the one with 60 millions and the other with 80 millions of silver, were anxious to avail themselves of the change which had occurred, and to substitute a gold currency. *All this time the produce of the gold mines of Australia and California has been regularly diminishing, and the consequence is that while these great alterations of currency in favour of a gold currency have been made, notwithstanding an increase of population, which alone requires always a considerable increase of gold currency to carry on its transactions, the amount every year has diminished until a state of affairs has been brought about by gold discoveries exactly the reverse of that which they produced at first. Gold is every day appreciating in value, and as it appreciates in value the tower become the prices. It is not impossible that as affairs develop the country may require that some formal investigation should be made of the causes which are affecting the price of the precious metals and the effect which the change in the price of the precious metals has upon the industry of the country and upon the continual fall of prices.*"—Lord Beaconsfield, March 29th, 1879.

"The present position may be stated, in brief, as embodying the failure of arable husbandry on some lands, the cessation of fair returns from high farming on others, a general impoverishment of the occupying class, and a serious depreciation in the value of landed property. With regard to the gradual wasting away of farmers' capital, the Agricultural Returns place the fact beyond doubt, at the same time revealing the calamitous extent of the sacrifice; losses by rot from wet seasons and contagious maladies. But those causes do not sufficiently account for the gradual and almost regular falling of the numbers as down an inclined plane since that year of fulness, 1874. Farmers have fewer cattle and sheep because they are being exhausted of means for raising roots and forage wherewith to keep them."—*Times*, Oct. 15, 1881.

legal origin of money in history. In nations, even the least civilised, we find payments, fines, tributes, compositions for crimes and delinquencies, and damages. The chief, the law, the custom, the tribunal, in one word, the political or legal authority, however barbarous may be the form of it, ought to determine in what commodity these diverse payments should be discharged. This commodity shall naturally be that which shall have been chosen to facilitate the exchanges, heads of cattle, slaves, shells, stuffs, furs, salt, or any precious metals. One sees then the legal and judicial origin of money appearing here very clearly, and if it is necessary to look for examples, I will find them in great numbers in the learned works of our contemporaries on the ancient or primitive societies. Let us sum up in actual economical language those ideas which philosophers, lawyers, and historians have supplied us with. Turgot, Condillac, and in their train the greater part of economists, have said, "all money is merchandise,"* and that maxim has become the foundation of the objections which are raised against the French monetary system in the name of the English monetary system. This maxim, however, is not true, for it is contradicted by facts. The bank notes made

"In our command of the necessities of life, our position to-day is not less fortunate than that described more than a century ago by Mr. Burke in his "Observations on the present State of the Nation." At Lyons the price of wheat, as given in the returns for 1880, was 54s. per quarter, while the average price for England and Wales was 44s. Of fuel it may be said with even more truth than in the time of Burke, that it is cheaper with us than in any part of the globe. In the price of meat there is no appreciable difference between the markets of Lyons and London. With our abundant supplies meat would be considerably lower but for the reasons assigned by Burke—"the uniform increase of consumption and of money. Diminish the latter," he said, "and meat in your markets will be sufficiently cheap in account, but much dearer in effect, because fewer will be in a condition to buy."—*Sir Thomas Brassey, Oct. 3, 1881.*

"He would tell his honourable friend who suffered most from its effects, it was that class who received the wages of labour; for though the wages of labour nominally remained the same, the *command they had over the necessities of life was very much reduced.*"—*Sir Robert Peel, April 30, 1847.*

* "Turgot and Condillac were not right in saying that all money is merchandise; money is the measure of value and instrument of exchange established by law; gold and silver, *when money is made of them, are merchandise whose value is fixed by law, [and production] limited by nature.*"—*M. Dana Horton.*

legal tender have no intrinsic value ; they are not then merchandise ; they do not even represent the precious metals of which they promise the payment when the issue department of the bank is empty. The notes which cannot then be redeemed in coin will preserve however all their power of purchase, if the rule set forth by Paulus had been respected, that is to say, if they have not been issued in excessive quantity. If their quantity is unequal to that which is demanded by the needs of circulation, they will make the same premium as after the revolution in France in 1848. This phenomenon explains itself. That which I look for in money, unless I be a goldsmith who desires to make a trinket of it, is not the material of which it is made, but the power of purchasing which it gives me. One piece of money, or a bank note, is a draft drawn upon the whole of the stock-in-trade ; it permits me to choose, at my will, some of the goods for a sum equivalent to its nominal value. A bank note of twenty francs, irredeemable, is exactly of the same value to me as a louis d'or, if it enables me to obtain the same quantity of food, "*non tam ex substantiâ quam ex quantitate*," as Paulus says—I have accepted it not to keep it, but to spend it ; if it is received equally in every payment, that is all the service I demand of it. At the bottom, in our societies, as in primitive times, all amounts to barter commodities against commodities, services against services.

It is essential that the monetary instrument, which now enables us to accomplish exchanges by sale and purchase, substituted for barter, preserve a steady value, and it will keep it if its quantity is maintained in accordance with the necessities of circulation. Paper money is only inferior to metallic money for two reasons—the first, that it cannot be used to pay foreigners with ; the second, that the State can increase it at will, and that in any case it is difficult to keep the issue exactly to the level of necessity. It follows, from that which precedes, that the material of which this money is made is not necessarily merchandise. It is, before all, the legal means of payment, the common measure of value fixed by law, the instrument of exchange of which authority has determined the nature and the permanence. It can be made of paper without any intrinsic value ; but it is better to make it of gold or silver, in order to preserve it from the abuse of optional issue. When it is made of metals, the gold and silver which constitute it were merchandise ; but this merchandise, by the effect of law acquired

a pre-eminence which transforms them, or to speak more correctly, transfigures them. In the state of money, and armed exclusively with the power of liquidating all debts and of paying all credits, they reign upon the market. Money is wealth raised to the highest power. He who has it in his hands can purchase everything. He who has only merchandise ought first to sell it, and sometimes at any price. By nature, and by public authority, gold and silver are almost entirely preserved from the influences which determine the value of other objects. Here is in what the difference consists. In the first place the value of merchandise is ruled by the supply, combined with the demand which is made for it. The value of precious metals is no other than that fixed by the Mint;* for if the monetary use ceases, their value falls to half, perhaps to a third of what it was before. The State created the greatest part of the value either of gold or of silver, for it created the greatest part of the demand. When Belgium made copper coin in nickel, the price of the metal was trebled. As long as coinage is free, the Mint in France handing over 200 francs for every kilogramme of silver, and 3,100 francs for every kilogramme of gold, these metals will not sell for less. Here then is a market always open at the legal rate, which does not exist for other merchandise. Secondly, the demand for commodities destined for consumption is limited by the use that can be made of them. Double the quantity of corn produced, it will be had in excess, and the value of the grain, under the effect of an excessive supply, will diminish considerably. In America the maize is sometimes burnt upon the spot, because it would not pay to gather it, and in certain remote districts of Spain the vintages some years give so much wine that, in order to gather it, it would be necessary to run out what already filled all the unengaged receivers. On the contrary, the coinable metal is never in excess. Transformed into money it is always accepted; no tradesman refuses to sell, and his supply of merchandise is a demand for cash. The demand for coin is then unlimited and insatiable, which is never the case with other merchandise.

* "When the coin is of full weight, and the mint charges nothing for coinage, coin and bullion must then be of precisely equal value, and cannot measure one another. We might as well talk of the weight of water in water, or of the value of lead in lead, as of the price of gold in gold. Were an ounce of gold to fall one-tenth of its present cost of production, or to cost ten times as much labour as it does now, still, while the regulations of the mints are unaltered, it will be worth, as now, 77/10½."—*Edinburgh Review*, vol. 84, p. 326.

Without doubt, if the quantity of coin increases, the power of purchase of each monetary unit decreases, and prices rise; but here nature interferes, which has given to the precious metals some qualities which distinguish them from the other productions of human labour. They are indestructible; they are not consumed; they serve for the use of men; either in a state of ornament or money they are preserved. Their scarcity, and in consequence their great value, makes one endeavour to prevent the destruction of them, and they constitute "the treasure" of the legend or of history, that of the Niebelungen or of the Frankish kings. The gold and silver drawn from the bowels of the earth, and constantly accumulated from century to century, form a mass that is estimated at 60 or 70,000 million francs. This mass, very slightly modified by the annual variations of production, and slowly increased in almost exact proportion with the growth of the population, gives to the price a very stable basis, since the quantity of money changes very little, and even scarcely at all, in comparison with the employment that is made of it. The quantity of gold and silver produced each year is trifling, and cannot be increased at will, for the veins which sufficiently remunerate the work of the miner are rare. There is here then a natural monopoly. It is certain that in a case of monopoly it is the demand which principally determines the price. The demand which rules the market of the precious metals is that which is made by money. The State creating the demand can then fix the price. Nevertheless the arbitrariness of this fixing is contained in certain limits, for if the price is too low, certain mines will be abandoned, and if it is too high, a great number of new mines will be opened. The States which fix the price of tobacco that the Excise Office buys, can, with still greater reason, determine for what value the precious metals shall be admitted to the Mints, and what ratio of value shall exist between gold and silver. It has been thus since the greatest antiquity; always and everywhere the two precious metals have served as instruments of exchange, following a relation of equivalence *fixed by law*, and if this relation has varied, it is solely by the effect of the monetary rules of different countries, which modify the legal value, whether of gold or silver.

The variations that history states in the relation of the two metals have been the *result of legislation and not of production*, more or less abundant, either of gold or silver. The French legislature of 1803, in fixing between the two metals the relative equivalence of 1 to $15\frac{1}{2}$, has only then made it to conform with

the historical precedents, and whatever one may say, it has not violated the economical laws. But the adversaries of the French system insist and say: Without doubt a State can, in fact, fix this relation; only nature and commerce, without concerning themselves with its limitations, will raise the scarcest metal upon the market of the world by the effect of what the English call "the Gresham law." There is in this objection a grain of truth that must be disentangled and circumscribed. However, let us state first a fact which ruled the discussion at the Monetary Conference of 1878—the one of our members who bears the illustrious name of Adam Smith of France (M. L. Say) has been able to affirm that, *during 70 years, the French system had resisted, without yielding, to the most extraordinary circumstances, to wars, invasions, revolutions, to crises of every nature, and even the deluge of gold, which after 1850 ought, they pretended, to complete the ruin of it.**

In order to bring about, in 1874, the momentary suspension of one of its clauses, the free mintage of silver, it has required a deed without precedent in economical history, that of a great people throwing away all at once the money of their ancestors, in order to adopt, upon the faith of incomplete theories, a foreign system, without root in the national traditions. When the monetary reform attempted by Germany shall have been completed, or definitively abandoned, the French system, M. Leon Say has said, with reason, will have been reinstated in activity in all its parts. Experience has then proved that one country alone, provided that it has a great territory, and above all a rich supply of specie, can maintain, in reality, the relation of equivalence fixed by the State between gold and silver. However, it must be acknowledged, that the Gresham law, without ever taking away completely in France, as has been wrongly pretended, either its gold or silver, has reduced by turns the mass of the one or the other of these metals. But that was not the necessary effect of a natural law, but the consequence of the imperfection of human laws, and of *the want of agreement between the different States*. This point is so important, that it is necessary to impress it by an example. At the present time, the United States have established between gold and silver the relative equivalence of 1 to 16, while France has maintained the ratio of 1 to 15½. If the coinage of the two metals

*"From 1849 to 1872 the produce of the mines was, gold and silver together, £754,175,000."—*Seyd's "Decline of Prosperity"*—London, E. Stanford, 1879.

was free at Paris and New York, the result of it would be that the silver of America would be exchanged here for gold. Commodities, like men, proceed towards the place where they are the most esteemed. The speculator in precious metals, whom one calls "*arbitragiste*," by means of a kilogramme of gold will obtain at New York 16 kilogrammes of silver. In coining into money at Paris $15\frac{1}{2}$ kilogrammes of silver, he would exchange them there for a kilogramme of gold, with which he would obtain again 16 kilogrammes of silver at New York, and at every exchange he would gain half a kilogramme of silver, say 100 francs upon an employed capital of 3,100 francs, which would yield the same profit each time he crossed the Atlantic. Thus then, when the legal ratio between the two metals is different in other States, the French system is threatened or even undermined by the operations of arbitration. But since the evil has its source, *not in nature, but in the imperfection and the difference of legislations*, it can be obviated. The remedy shows itself; it would suffice to establish everywhere the same relation of equivalence between gold and silver. This is what Newton, called to examine the question in capacity of Master of the Mint, had perceived, as the following passage shows: "If gold," said he, "were lowered only so as to bear the same proportion to the silver money in England which it has to silver in the rest of Europe, there would be no temptation to export silver rather than gold to any other part of Europe." Let us establish the same relation of equivalence between the two metals, and put an end to the transactions of arbitration, which make sometimes gold and sometimes silver predominate alternately in countries with the double standard. The international compact, if it is signed by the great commercial powers, gives to bimetallism an unassailable basis. Newton's idea has been taken up by M. Cernuschi, with a variety of thought and a vivacity of argument which have commanded attention everywhere. Condensed in the modern formula of the international $15\frac{1}{2}$, it serves for the basis of the deliberation of the Monetary Conference assembled at Paris at the present time. It can then be said that great names preside over the work of this important assembly—Aristotle, Paulus, and Newton.

In concluding this address, I wish to trace a rapid comparison between the two monetary systems which contend at this moment for the approbation of the world, the French system employing simultaneously the two precious metals, and the English system

banishing the silver in order to keep only the gold.* The French system, founded upon nature and history, can generalise itself without shaking and without trouble, for it maintains the monetary rules existing in sundry countries, in completing them by the adjunction of the metal up to that time not employed. The English system does violence to natural and historical facts,†

* "Of all the great European States, France has least suffered from the crisis. Her increasing prosperity has offered a contrast to the distress of her two powerful neighbours, the more remarkable because, without reckoning the phylloxera, she should have been overwhelmed by the consequences of a disastrous war, which had cost her ten milliards and one of her richest provinces. Bimetallists point out that their system is still in force in France. What is certain is that she has a monetary circulation thrice as great as that of her neighbours, and that since 1874 favourable balances have further strengthened her: prices have consequently fallen there less than elsewhere, and the sufferings resulting therefrom have been to a great extent spared her."—*Revue de Laval*—"*The Battle of the Standards*," page 32, 1881.

† "In 1810, the necessity of returning to cash payments was enforced. The authors did not perceive, or at least did not notice, the injustice and ruin attending full payment in coin of debts contracted in a depreciated paper. On the motion of Mr. Vansittart, the House held that a pound note and 1s. were equal to a guinea of full weight, although light guineas were openly sold at 28s. each."—*Napier's History*, vol. 2, p. 384.

"This was proposed to an unreformed House of Commons and a Tory Government, and when we consider the amount of the knowledge and intelligence of that House and of that Government, it is not strange that a statesman should have been found to propose, and the assembly to adopt it."—*Edinburgh Review*, p. 388, 1846.

"In 1810, when the restoration of the present standard of value was first recommended, and in 1819, when it was carried into a law, its necessary and ruinous consequences, and its terrible injustice and oppression, were not generally understood. It was considered by the Legislature and by the country as merely involving a reduction of some 4 or 5 per cent. in general prices, and as not in any way diminishing the means of full employment and of just wages among the industrious classes, or as in any way affecting the justice and integrity of debts and contracts throughout the nation, except in a very small degree."—*Chamber of Commerce, Birmingham, 1842*.

"At each period, during the last 30 years, whenever these unjust and most impolitic attempts to restore and maintain the present standard of value have been enforced, general distress and discontent have invariably been produced. The first attempt, in 1810, paralysed the industry of the country. The second attempt, in 1816, exhibited the most extraordinary spectacle of ruin and distress among manufacturing classes that was ever exhibited in England. The third attempt, in 1819, produced the Manchester

for it forces men who before now have always used, in their exchanges, the two precious metals, to henceforth employ

riots, the insurrections in Scotland and Derbyshire, and the terrible distress and discontent which afflicted and alarmed the nation during the disastrous years 1820, 1821, and 1822. The fourth attempt, in 1825, produced the memorable panic of December in that year, when a Minister of the Crown declared in Parliament, that 'the country was brought within 24 hours of a state of barter.' It produced also the general distress and discontent which rankled in the public mind during the years 1826, 1827, 1828, and 1829, until partially relieved by the monetary measures of 1833. The fifth attempt, in 1836, immediately produced the commercial paralysis of 1837."—*Chamber of Commerce, Birmingham, 1842.*

"Sismondi speaks of this great European calamity in his work 'New Principles of Political Economy, 1827'—'A cry of distress is raised from all the manufacturing towns of the old world, and all the fields of the new world re-echo it. Everywhere commerce is struck with the same languor, everywhere it encounters the same impossibility of selling. It is five years at least since the suffering began. Far from being allayed, it seems increasing with time. The distress of the manufacturers is the most severe, because, unlike agriculturists, their entire livelihood depends on exchanges. The patriotic societies being formed in Belgium and Germany to keep out foreign merchandise, are also a grievous symptom of this universal suffering. The protective system now prevailing in the public mind has been produced by the distress everywhere visible.' After speaking of the sufferings of the artisans, Sismondi adds—'At the same time, farmers and landlords complain of being ruined; they loudly cry for protective laws for monopolies, they declare they cannot stand foreign competition, and indeed many farmers become bankrupt; many landowners voluntarily give up a quarter or a third of their rents; lastly, the frequent incendiarism of crops and farmhouses bespeaks the irritation and fermentation of farm labourers, and precarious condition of all society.'"

"The society of France—the society of Europe—is poor. These words mean that France, by her daily work, does not produce the quantity of food, clothing, fuel, furniture, and of divers other commodities, which are required to give to thirty-six millions of human beings even a very scanty degree of comfort. We boast of an enlightened age, but whatever may be our pride, this is the cruel proof that our vaunted civilisation is still extremely imperfect; we have not yet succeeded in extracting from this planet, fertile as it is, the means of a tolerable subsistence for the bulk of the individuals of which great nations consist, notwithstanding 'the unremitting toil' to which they submit."—*Michel Chevalier, Paris, 1853.*

"It is certain that since the discovery of the mines in America industry has increased in all the nations of Europe. * * We find that in every kingdom into which money begins to flow in greater abundance than formerly, everything takes a new face; labour and industry gain life; the merchant becomes more enterprising, the manufacturer more diligent and

only one, either gold or silver. It is, in all the force of the term, a revolutionary measure; also, it can only be introduced at the price of cruel crises of prolonged sufferings which nearly always accompany every violent rupture with the past. When England put it in force, in 1816,* the result of it in the country, even in all

skilful, and even the farmer follows his plough with greater alacrity and attention. * * * It is of no manner of consequence with regard to the domestic happiness of a state whether money be in a greater or less quantity. The good policy of the magistrate consists only in keeping it, if possible, still increasing; because by that means he keeps alive a spirit of industry in the nation and increases the stock of labour, in which consists all real power and riches. A nation whose money decreases is actually at that time weaker and more miserable than another nation which possesses no more money, but is on the increasing hand."—*David Hume*.

Mr. Macaulay of 1816—"The landlord had no rent, the manufacturer no profit, the capitalist no interest, the labourer no wages,"—*Walpole's "England in the Nineteenth Century," Edinburgh Review, page 194, January, 1879.*

"That the same great principles which apply to gold as a standard of value apply equally to silver I do not deny."

"Why the bullion report had been made in 1810, that is, nine years before, and had provoked a pamphlet from almost every man who could write,"—*Sir Robert Peel, April 22nd, 1833.*

"For each operation two calculations must be made: first, you must calculate the price of the goods in gold, and then the price in silver, and there is no fixed basis for the value of this latter metal. It is exactly the same thing as if you had to buy cotton with gold, in order to be able to buy wheat with this cotton; it is only a kind of barter, adapted to a barbarous state of civilisation."—*Sir Louis Malet, Delegate for India Monetary Conference, 1881.*

With a double standard, as the bi-metallists urge, a scarcity of gold would be compensated by a flow of silver. It is conceivable that the supply of one metal might fall behind the demand; it is inconceivable that the same accident should befall both. The difficulty of maintaining the ratio of silver to gold is not insuperable.

Should, however, the leading countries of the world agree to legalise silver currency at a ratio of fifteen-and-a-half to one of gold, the increased demand would absorb enough to reduce the inequality and to keep the proportion what for a long period it is conceded to have been."—*Times, April, 1881.*

* "During three years, 1819 to 1822, they remained firm to their purpose; the bitter fruit of the system was tasted by all classes:—I am in error when I say by all; for amidst the ruin of the farmer and the manufacturer, the distress of landlords, and the insurrections of a populace without bread and without employment, *one class flourished and was triumphant; the*

the civilised world, was low prices and economical disturbances, in ruin of every nature, very disastrous, and in failures, the reduction of rents of farms, the misery of the mechanics, the

annuitant and the tax-eater rejoiced in the increased value of money; in the sacrifice of productive industry to unproductive wealth; in the victory of the drones over the bees."—*Sir James Graham's Corn and Currency.*

"An act no less fatal to the landowners than to the payers of taxes;—an act which from its first introduction goaded the people to insurrection, and the returning influence has never failed to produce the same alarming consequences."—*Sir James Graham.*

"The same effects must ever flow from the same causes: they have the experience of 1816 and of 1822: *the approach of the ancient standard, in the one case, brought ruin to their door; in the other, its complete restoration would have ground them to powder,* had not the Government relaxed its principle, introduced the Small Note Act, *augmented the circulation, and thus raised the price of wheat from 43s. in 1822, to 68s. in 1825.*"—*Sir James Graham's Corn and Currency.*

"*Such a scene both of agricultural and commercial distress ensued as this unhappy country had at that time never witnessed. I repeat the conviction of competent judges when I assert, that the losses sustained by individuals in this year counterbalanced all the profits of all the bankers during the war.*

But the government, which at that time ruled our destinies, had compassion on the sufferings of the community. They sickened at the sight of the ruin which their measure, though not executed, and only contemplated, had created. They saw 30 per cent. added in eighteen months to the value of money, and a proportionate increase to the burthen of taxation, and of every other fixed incumbrance. They knew that it was intolerable; they were merciful; they were disinterested; regardless of the increased value of their own salaries, they felt for the debtors, the tax payers, the great body of the people; and preferred *their* interests to the profits of the creditors, the tax eaters, 'the blood suckers' of Lord Chatham. They thought wholesome food and constant employment better for the people than *wholesome currency and hunger, amidst landlords without rents, and manufacturers without profits.* They turned aside, therefore, from the 'stern path of duty;' *they relented for a time, and renewed the Bank Restriction Act; with an increase of the circulating medium, prosperity returned.*

I cannot fail also to remark the immense *sum added to the debt during the period of the great depreciation of the currency; according to the ancient standard, which was then suspended, we generally borrowed about 15s. in the pound; and with our return to that standard, we are now required to pay the entire 20s.* The letter of the bond, and the pound of flesh, are claimed by the creditor."—*Sir James Graham on Corn and Currency, 1826.*

"I remember, in April, 1821, that I was examined before the Agricultural Committee of the House of Commons. They told me openly and

rising of Chartism, the socialism of the period, and at length the nearly universal aggravation of the protective system. In 1873 Germany wished to imitate England in banishing silver. It has been followed by a new crisis which does not appear yet to be ended. Though it may perhaps be premature to try to determine exactly the share of action of diverse causes which have produced it, one can say that it presents some very similar qualities to that which caused such distress from 1816 to 1830. Germany ought to suspend its monetary reform in order to avoid for its people and for the whole world the sufferings that it inflicts on them. This experience has been so decisive that it caused one of the first economist financiers of England, Mr. Goschen, to express to the Monetary Conference, in 1878,* this

publicly that they had passed a resolution that they would not enquire into the Currency part of the question, and that I must confine my observations to the agricultural part of it. 'Good God!' said I, 'gentlemen, what are you? Are you not a Committee appointed by the House of Commons to enquire into the cause of the distress of agriculture?' 'Certainly,' said they. 'And what is the distress of agriculture? Is it not the low price of agricultural produce?' 'Undoubtedly,' said they. I rejoined, 'Is there any other distress in agriculture, except the low price of agricultural produce?' 'Certainly not.' 'What *is* the low price of agricultural produce? Is it not the small quantity of money or currency which agricultural produce commands in the market?' 'Most certainly it is.' 'Why, then,' said I, 'do you mean to say that you have passed a resolution declaring that you will not enquire into the very subject which you are expressly appointed to enquire into?' I could get no further answer to this."—*Thomas Attwood—Gemini Letters*.

[The Royal Commission, now taking evidence on the distress of agriculture, among many things they are to inquire into, nothing is said of the money question in any way.]

* GENERAL WALKER said—"Mr. Goschen made reference to a normal price of silver. I must understand this to mean 61d. or thereabouts, of British Money, per oz., being the price from which Standard Silver never departed widely prior to 1873. From this I infer that Mr. Goschen concedes to the French law of 1803 the virtue which is attributed to it by his distinguished countrymen, the late Professor Cairnes, Mr. Stanley Jevons, and the late Mr. Bagehot, viz., that the French law served as 'the connecting pipe' (to use Mr. Jevons' phrase) between the two reservoirs severally of gold and silver, which would otherwise have been subject to independent variations of supply and demand, or as an 'equalising machine' (to use Mr. Bagehot's expression) by which the bimetallic countries, taking the metal which fell and selling the metal which rose, kept the relative value of the two at its old point.

solemn warning—"Every new step in this direction would have the effect of provoking a more disastrous crisis than any the commercial world can remember." He has said these words, which condemn the system in force in his own country: "*The attempt to generalise the adoption of the gold standard is not only a utopia, but a false and pernicious one.*" The adversaries of the French system acknowledge that it would possess stability and permanence so much the greater, as it would be accepted by more States. The partisans of the English system declare boldly that it ought to continue the privilege of some chosen nations. The first implies, thus, the equality and fraternity of the people, for it offers itself to all. The second is exclusive and aristocratic, *since it condemns all countries, save one or two, to make use of a monetary system declared wrong or imperfect.* The French system generalised would establish between nations the harmony and accord of interests; for in legalising everywhere the simultaneous employment of the two metals, it would supply an instrument sufficient for the increasing exchanges. The English system, on the contrary, reducing nearly by half the tool of universal circulation, would produce, as certain naturalists would say, a struggle for the gold, become

"Thus it was, and thus only it could have been, that silver came to have a 'normal price;' that a par of exchange between gold countries and silver countries was established and maintained.

"Was this adjustment of exchanges desirable? Who gained by it? who, if any one, lost?"—*Fourth Session, Monetary Conference, page 77.*

Mr. H. H. Gibbs has just re-published, under the title of "The Double Standard" (Effingham Wilson), a pamphlet which he issued two years ago under the title of "Silver and Gold: A Letter to Mr. Cazalet." To this issue there is now prefixed a short introduction by Mr. Grenfell, in which he states that the pamphlet has passed under his review, and may be said to express his opinions as well as those of the writer. Mr. Grenfell then proceeds to quote a passage from the report of Mr. Gibbs and Mr. Goschen in their capacity as delegates to the Paris Conference in 1878, which has been supposed to indicate an adhesion to the doctrine of monometallism, and points out that this is not the true meaning of the passage, so that there has been no change of opinion on the part of Mr. Gibbs. He adds—

"These sentences, it will be seen, characterise as utopian the idea of general bimetallism by agreement. The same expression is used, however, in reference to a universal gold standard; and, moreover, an opinion is conveyed that the writers dissent from the conclusions of the Paris Conference in 1867 in favour of a universal gold standard.

Seeing that the demonetization of silver in Germany was the cause of the whole difficulty, and that Germany refused even to argue the point in

insufficient, which would take for weapons advances of discount and increasings of tariffs. The principal quality of money is stability. The French system, grounded upon the total mass of gold and silver and sustained by two sources, of which the variations in the market compensate, give to the price a much greater steadiness than the English system, for the latter has for foundation a metallic mass one half less, and it entrusts the list of money exclusively to one single metal—gold, the production of which is very irregular, and which, according to the most competent geologists, will diminish more and more. The French system, which establishes a fixed ratio between gold and silver, although only ruling in France alone, has been powerful enough to maintain the stability of exchange between the two metals in the whole world, to the profit of the commerce of *all countries, and above all, of England.** Since one of its

1878, it is not very surprising that it should have been thought utopian to expect a general agreement in favour of bimetallism.

On the other hand, that which Mr. Goschen and Mr. Gibbs also declared to be a 'false utopia,' likely 'to produce incalculable disasters to the commerce of the world,' seems likely to come to pass if England should refuse to modify its arrangements in any way.

Being partly responsible for the reprint of Lord Liverpool's letter upon coins, and being convinced that the system prevailing among nations previous to 1868 was on the whole an excellent one, I should be sorry to be supposed to have imbibed heretical notions on the standard of value. But I cannot shut my eyes to the fact that the system which has been so satisfactory has ceased to exist, and that events have occurred outside the British empire which have engendered the necessity of electing between the two courses which Mr. Goschen and Mr. Gibbs declared in 1878 to be utopian—namely bimetallism by agreement, or a general resort to monometallic gold standard."—*Henry R. Grenfell—Bank of England, April 22nd, 1881.*

"M. Pierson (the delegate for Holland), construing this letter and the offer to maintain free mintage of silver in India as an admission that even a partial bimetallic league could make the price of silver steady, made a strong appeal to England not to incur the responsibility of a perilous failure by holding aloof from a league, and he exhorted her to crown her advocacy of free trade by perfecting the instruments of exchange."—*Monetary Conference, p. 132, 1878.*

* "An issue of notes on 1-5th of silver was a proper remedy for the inconvenience of our standard differing from that of other nations.

"The practice of the Bank has been to buy bar silver at 4s.11½d., and dollars at 4s.9½d., which, at the French mint prices, is equal to buying gold

clauses, the free coinage, has been suspended, the English system isolated and reduced to itself, inflicts losses and hindrances without number to the traffic with all the countries of which silver is the exclusive money—that is to say, with the immense majority of the populations of the globe. The legislation of 1803 and the natural riches of France, have assured to it this powerful circulation of precious metals which some counsellors (in my opinion improvident) wish to decrease. It is thanks to this mass of gold and silver that it has been able to pay the enormous sums exacted by the events of 1870, and to *maintain at par an issue of more than three thousand millions of notes at a forced price, a thing unheard of and incredible!** England, in its island, can reduce without danger, it is said, the metallic basis of credit to its extreme limits, but it *pays for this advantage by the more frequent advances of discount,*† and by crises more intense, so

at 77s.9d. When the exchanges have fallen and there has been a demand for remittances to the Continent, the Bank has sold the silver, and such sale has answered all the purposes of gold.

"A stock of silver in the Bank is convenient to our trade, particularly with India and China.

"When the exchange is low and the price of silver high, this export (of silver) acts advantageously in liquidating balances due to foreign countries; but when the exchange is high and silver low, *the silver will sell at a lower price than if the Bank were allowed to buy it.*"—*Peel, May 20th, 1844.*

* "The Bank of France has 100 millions sterling of inconvertible paper circulating freely without a discount—a financial phenomenon which has no parallel in any country."—*Times, July 19th, 1875.*

† "In 1816 silver was definitely excluded from circulation in England, and the office that had hitherto always been legally filled by that metal was henceforth laid upon gold alone. This was a violation of acquired rights, and a spoliation of the English people. According to the statutes the legal money was the pound of silver of Elizabeth. But an equivalent ratio having been established between gold and silver, all debtors, including taxpayers, had the right of discharging their debts either in gold or in silver. In 1816 this alternative was taken away from them, and they were forced to pay in gold alone; that is to say, in a metal of which the production was so scanty that it constituted an actual rarity, and which was made still scarcer and higher in price by the exclusive privilege that was thus accorded to it. This was a monstrous iniquity. We accuse socialists of wishing to plunder capital for the advantage of labour. Here was socialism of an inverted kind, not to the advantage of equality, but of inequality, for labour was plundered in order to enrich capital, and the taxpayer was plundered to favour the fundholder."—*Emile de Laveleye—Fortnightly Review, page 109, June, 1881.*

that, as Wolowski contended, economy is still on the side of France. Other countries believe it necessary, and not perhaps without reason, to constitute a treasury for war. It may be permitted to a belated disciple of the Abbé de Saint Pierre, and of Cobden, to hope that France will only have need of a "treasury

England has been affected even more than Germany by the depreciation of silver, but as she is richer, the evil was long less perceptible. There were first the losses sustained by India. 'Since 1873,' said Mr. Goschen, at the Paris Monetary Conference of 1878, 'everybody in India has suffered a good deal, private individuals and officials.' These losses arise thus: in India money is exclusively silver, and in England exclusively gold. When India has a payment to make at London, she can only, therefore, send silver. As long as France maintained the free coinage of gold and silver at the ratio of 1 to 15½, the value of silver was kept at par. Since the coinage has been suspended, as a necessary measure of defence against the demonetization decreed by Germany, silver has lost from 12 to 20 per cent., consequently every remittance to England by a private individual or an official has been reduced to that extent. The Government has to pay at London interest on loans, pensions, &c. (a sum now amounting to about 15 millions sterling). The settlement is made by means of bills of exchange drawn by the Treasury at Calcutta, and sold by tender at London. At 20 per cent. below par, as in July, 1876, the annual loss would have been £3,000,000. According to a report I have just received by the Finance Department of India, the average annual loss has been 22,400,000 rupees, or in seven years about 400,000,000 fr. (£16,000,000). The reduction on private remittances is also estimated at very considerable sums.

"However serious these losses, they are nothing compared with what English commerce has suffered. Mr. Ernest Seyd has shown in his interesting work, *The Decline of Prosperity*, that three-fourths of the exports go to silver money countries. While the exports to gold money countries have risen 9·1 per cent., and have increased from 52 to 56 millions sterling during the period 1872-1878, the exports to silver countries have fallen off 33·3 per cent., and have dropped from 203 to 133 millions sterling.—*Emile de Laveleye*—"The Battle of the Standards," page 30, 1881.

"England has been conspicuous, certainly for two generations, for the frequency and violence of its commercial, banking, and monetary panics. The rate of interest of the Bank of England was changed two hundred and twenty-three times in the twenty-seven years beginning with 1847, and the range of fluctuation was from 2½ to 10 per cent. It is now 2 per cent. In the one hundred and twenty-two years preceding 1816, when the gold standard was adopted, there were only sixteen changes, and the rate never fell below 4 or rose above 6 per cent."—*Report to the United States Senate, 1876.*

"A sudden change from peace to war, a bad harvest, or a panic year arising from overtrading and other causes, immediately impose upon the Bank of England, which is the heart of all our circulation, for the purpose

of peace." But if she has a legislation that could supply it always with abundance, with facility, and above all with regularity, should she not keep it? In political economy a system can be judged by the evil it occasions, or by the advantages that it procures. The attempt made by Germany to banish silver having produced in the whole world a monetary disorder so profound and so disastrous, that the civilised States have sent delegates to Paris* to

of protecting itself, to stop the egress of specie; sometimes even to bring large quantities into the country. These indispensable remedies are always applied with more or less of restriction of the currency and consequent distress. * * * No care or prudence can enable the great bank to avoid occasional resort to those measures of defence. * * * It is evident that the bank, wishing to re-enforce the supply of specie, can do so with infinitely increased facility, with the power of drawing gold and silver, than if it were confined to one of the metals. * * * The greater the facility of the bank to right itself, the less frequent will be those sudden jerks and changes so fatal to credit and commerce."—*Alexander Baring, 1828.*

"The Bank of England, foreseeing that there would be an accumulation of coin to the credit of the United States, which might be taken away bodily in 'specie,' gave notice to the officers of the Treasury department of the United States that the power of that Institution would be arrayed against the whole proceeding, unless we gave a pledge that the coin should not be removed; and that we would re-invest it in the bonds of the United States, as they were offered in the markets of London. We were compelled to comply."—*Report to the United States Senate, p. 103, 1876.*

* "This direct loss on silver, important as it is, is nothing, says Herr von Bar, compared with the indirect loss resulting from the fall of prices in Germany. Himself a large landowner, he first speaks of agriculture. It is cruelly suffering from the reduced value of all produce. The farmers are paying their rents irregularly, or not at all; their stock-in-trade has often to be distrained to recover arrears of rent. The landowners are overwhelmed by mortgages. When at last, in order to extricate themselves, they try to sell their estates, they find no purchasers, or have to be satisfied with a price one-third below former estimates. The discouragement is universal. No more agricultural improvements are being effected; employment is consequently lacking, and there is great indigence. Hence that increasing emigration from Germany for which special trains and steamers have to be arranged. It is a veritable exodus.—*Emile de Laveleye*—"The Battle of the Standards," page 29, 1881.

THE MONETARY CONFERENCE, JULY, 1881.—At the last meeting of the Monetary Conference, Mr. Evarts read the following declaration of the French and American delegates in the name of their respective Governments:

"1. The depreciation and great fluctuations in the value of silver relatively to gold which of late years have shown themselves, and which

seek a remedy for it, it is certain that no one will recommend the adoption of the gold standard, the cause of all the evil.* The

continue to exist, have been and are injurious to commerce and to the general prosperity, and the establishment and maintenance of a fixed relation of value between silver and gold would produce most important benefits to the commerce of the world. 2. A convention entered into by an important group of States, by which they should agree to open their mints to free and unlimited coinage of both silver and gold at a fixed proportion of weight between the gold and silver contained in the monetary unit of each metal, and with full legal-tender faculty to the money thus issued, would cause and maintain a stability in the relative value of the two metals, suitable to the interests and the requirements of the commerce of the world. 3. Any ratio now or of late in use by any commercial nation, if adopted by such important group of States, could be maintained, but the adoption of the ratio of $15\frac{1}{2}$ to 1 would accomplish the principal object with less disturbance in the monetary systems to be affected by it than any other ratio. 4. Without considering the effect which might be produced towards the desired object by a lesser combination of States, a combination which should include England, France, Germany, and the United States, with the concurrence of other States both in Europe and on the American continent which this combination would insure, would be adequate to produce and maintain throughout the commercial world the relation between the two metals that such combination should adopt."

Subjoined is the text of the letter of the Bank of England read at the previous sitting :

"The Bank Charter Act permits the issue of notes upon silver, but limits that issue to one-fourth of the gold held by the Bank in the Issue Department. The purchase of gold bullion is obligatory and unlimited; the purchase of silver bullion is discretionary and limited, the distinction being enforced by the necessity of paying all notes in gold on demand. The reappearance of silver bullion as an asset in the Issue Department of the Bank of England would, as is understood by the Foreign Office letter, depend entirely on the return of the mints of other countries to such rules as would insure the certainty of the conversion of gold into silver, and silver into gold. The rules need not be identical with those formerly in force; the ratio between silver and gold and the charge for mintage may both, or either of them, be varied, and yet leave unimpaired the facility of exchange, which would be indispensable to the resumption of silver purchases by a bank of issue, whose responsibilities are contracted in gold. Subject to these considerations, the Bank Court are satisfied that the issue of their notes against silver within the letter of the Act would not involve a risk of infringing that principle of it which imposes a positive obligation on the Bank to receive gold in exchange for notes, and to pay notes in gold on demand. The Bank Court see no reason why an assurance should not be conveyed to the Monetary Conference at Paris, if their lordships think it desirable, that the Bank of England, agreeably with the Act of 1844, will be always open to the purchase of silver under the conditions above described."

French legislation, on the contrary, if it were adopted everywhere, would put an end to the particular embarrassments from

"No engagement has been made by the Government, and no authority conferred on the British representative at the Paris Conference, to alter the limits now imposed by law upon the use of silver as currency. The Government were informed that an agreement might be possible between the silver-using Powers if, among other matters, the Bank of England would hold in the issue department part of its reserve in silver, and they communicated their information to the Bank, inviting the Bank Court to state its opinion upon such an exercise of the discretion entrusted to the Bank by the Act of 1844. The Court replied that it saw no reason why an assurance should not be conveyed to the Monetary Conference, if the Treasury thought it desirable, that the Bank, agreeably with the Act of 1844, will be always open to the purchase of silver, provided that the mints of other countries return to such rules as would insure the conversion of gold into silver and silver into gold. The Treasury, noting the statement of the Bank that it saw no danger to the principle of the Act of 1844 in such an assurance, caused the delegate of the United Kingdom at the Conference to be instructed to convey the assurance to the Conference. Mr. Fremantle informed the Conference accordingly at its meeting of yesterday. 3. The Secretary of State for India will state whether he has authorised the Delegate of India to convey any assurance to the Conference. 4. There is no intention on the part of the Government to alter the present currency law. 5. The Government could not undertake to make representations to the Conference as to its course of proceeding. 6. If the hon. member will move for papers, I will have such of them as explain the action of the Government presented."—*Mr. Gladstone; July 8, 1881.*

The only engagement which the representatives of the Government of India at the Monetary Conference have been authorised to make on behalf of that Government is that for a definite term of years it will undertake not to depart in any direction calculated to lower the value of silver from the existing practice of coining silver freely in the Indian mints as legal tender throughout the Indian dominions of Her Majesty. Such a declaration must, however, be conditional on the acceptance by a number of the principal States of an agreement binding them, in some manner or other, to open their mints for a similar term to the coinage of silver as full legal tender in the proportion of $15\frac{1}{2}$ of silver to 1 of gold, and the engagement on the part of India would be obligatory only so long as that agreement remained in force."—*The Marquis of Hartington.*

THE MARQUIS OF HARTINGTON.—"In reply to the questions that have been put to me I have to say that, as the interests of India and of the United Kingdom with regard to the silver question did not appear to be identical, it seemed fitting that they should be separately represented at Paris, and that independent instructions should be given to the delegates. The instructions were that the British delegate would attend the meeting of the Conference solely in order to be a medium of communication, and to afford information which the Conference might require, but with no power

which the greater part of the states suffer. In fine, a system which calls forth oppositions, increasing in proportion as it is

of voting. I will take this opportunity of reading the substance of the instructions given to the Indian delegates, Sir L. Mallet and Lord Reay :

“You will explain that, in sending a delegate to the Conference, the Government of India must not be held to commit itself to the adoption of the principle of the bimetallic system in India, and that you are not authorised, without further instructions, to vote on any question raised at the Conference. You will, however, add that, while the Secretary of State in Council is unwilling to encourage an expectation of any material change, at present, in the monetary policy of India, he would be ready to consider any measures which might be suggested for adoption in India as being calculated to promote the re-establishment of the value of silver. It is desirable that you should, as far as possible, avoid giving any pledge on the part of the Government of India which would in any manner interfere with its future liberty of action ; but, in the event of your being pressed on the subject, or your seeing reason to think it desirable that such a declaration should be made, you are authorised to agree, on the part of the Government of India, that for some definite term of years, not exceeding ten, it will undertake not to depart, in any direction calculated to lower the value of silver, from the existing practice of coining silver freely in the Indian mints as legal tender throughout the Indian dominions of Her Majesty. Such a declaration must, however, be conditional on the acceptance by a number of the principal States of an agreement binding them, in some manner or other, to open their mints for a similar term to the coinage of silver as full legal tender, in the proportion of $15\frac{1}{2}$ of silver to 1 of gold, and the engagement on the part of India would be obligatory only so long as that agreement remained in force.”

“The net loss for the year 1881-82 on exchange will be about three millions. For the year 1880-81 it was £2,553,000, and for the year 1879-80 about two millions. In the three years the net loss was £8,542,000. No doubt that is a very considerable and heavy loss. I will say a very few words upon the attitude which the Indian Government have assumed on the question of bimetallism, and on the conference recently held at Paris. The immediate effect upon a country situated as India is would be that its exports would be stimulated and its imports restricted. It may be supposed, therefore, that in India the purchasing power is diminished and the selling power increased. The losses by exchange are not less than 11 millions. That is a serious matter for a country situated as India is, where any re-adjustment of taxation is a matter of great difficulty. The injury to India does not stop there—at the actual loss incurred. The injury is greatly increased by the uncertainty caused in every financial estimate and transaction. It is absolutely impossible for an Englishman to make an estimate upon which he can confidently rely as to the expenditure and revenue for the next year. We can only hope that some similar agreement may be come to between this country and India to those which exist between

applied in a form more complete and more general, can it be right?

A system which, in conforming to the traditions of the past, and to the indications of nature, gives satisfaction to the actual interests of all countries, can it be false?*

the different countries of Europe. It is no wonder, therefore, that the Government of India feel a warm interest and a deep sympathy with all efforts to arrive at some common agreement, and at all attempts in the direction of fixing a settled ratio between the values of the two metals. Everything done to attain that result is a benefit to India. Holding these views, the Government of India think it their duty to do what they can to assist in the attainment of some agreement between the nations of Europe, and they sent delegates to the recent Paris conference with that object. The House is aware that the conference has adjourned, but it is hoped that on their re-assembling some result may be arrived at."—*Lord Hartington, August 20th, 1881.*

* "I cannot doubt that they (the members of the New York Bullion Club) will render much service by collecting information, and I hope also by discussion. Their title will be liked on this side of the water. I must not, however, presume to offer an opinion on your matters beyond stating my adhesion to these propositions—that State debts ought to be paid in a medium of not less value than that in which they were contracted; that gold is the best standard; and that a double standard is not in strictness any standard at all."—*W. E. Gladstone—"Bimetallism and the Finances of India," page 201, in Westminster Review.*

Yet, when the United States Congress made successive attempts to palliate the evil of a diminishing volume of money by making silver full legal tender, though without free coinage, the most denunciatory cries went up from England against such repudiation and robbery. Mr. Gladstone, even, in the letter already quoted, hints unmistakably at what he doubtless regards as a blot, when he says that 'State debts ought to be paid in a medium of not less value than that in which they were contracted;' and in further saying that gold is the best standard, and the double standard no standard at all, he undoubtedly had present to his mind the idea that to introduce silver as full legal tender, or to adopt the double legal tender pure and simple, was to defraud those creditors who had stipulated to be paid in gold. What was not, it is evident, present in Mr. Gladstone's mind was the fact that the payment of State debts was being clamorously demanded in a medium of much greater value or purchasing power—namely, gold, that would purchase sixteen per cent. or more of the average staple commodities of the world than the same weight and fineness of gold would have done years before when the State debts were contracted. What deceived Mr. Gladstone was the inveterate English idea that gold is an absolute standard of value, that its purchasing power is always constant, whereas, if he had been sojourning at the time he wrote the letter by the banks of the Ganges or the Wangpoo, the Calcutta or Shanghai price lists would have shown him that, without

other material change, gold had risen sixteen per cent. in purchasing power, and he would have at once concluded that it was a gross injustice that debtors should have to pay sixteen per cent. more than they bargained for. Under these circumstances he would have seen that silver was for the time comparatively stationary in purchasing power, or rather appreciated, he would have escaped entertaining the fallacy of the depreciation of silver, and thus he would never have spoken of gold as the best standard, nor written a voluminous report, as Mr. Goschen has done, to prove the existence of the non-existent.—*J. Barr Robertson*—“*Bimetallism and the Finances of India*,” page 213, 1881.

“In a paper entitled *Du Caractère de la Crise économique actuelle*, M. George de Laveleye brings out in strong relief this inertia of capital: ‘The characteristic sign of the crisis raging all over the world since 1873 is an enormous abundance of money which everywhere remains unemployed, occasions a rise in public funds, and a fall in the interest of money, and is at the disposal of business or investments which hitherto do not offer themselves.’ The cause of this fact, according to the author, must be sought in the narrowing of the field of employment. By forty years’ investments Europe has been thoroughly equipped for labour; factories, railways, canals, bridges, have been constructed: what is there left to do for the new capital created by savings? The yield of investments will therefore fall from 4 to 3 for unquestionable securities, from 5 to $4\frac{1}{2}$ or 4 for probable securities, from 8 to 6 for industrial enterprises, from 10 to 8 for speculations. I think that this remark, partially corroborated by M. Paul Leroy-Beaulieu, is well founded, but it is not sufficient to explain the intensity and universality of the present crisis, which is felt even in India and America. In the United States the field of employment was certainly not lacking, yet there was a crisis. Since our gold has been flowing thither a marvellous activity has reappeared.”—*Emile de Laveleye*—“*The Battle of the Standards*,” page 55, 1881.

“The more money there is in the country, the cheaper the use of it will be, and the better the bargain for the poor man, who must work or trade with other people’s capital. High interest—usury, people used to call it—has been in all ages one of the standing grievances of the poor; and high interest when generally prevalent, and not due to any special insecurity in the investment, means only that capital is scarce, that people have not been accumulating; with more money, you are making industrial employment—which depends on cheap capital—more abundant for the artisan and the labourer.”—*Lord Derby*—*Liverpool, January 17th, 1880.*

“Can we believe that English commerce and the English people will long endure a *régime* like this, when they shall come to understand the suffering it has inflicted upon them? Before long they will rise up and say to the professors of the science of deductive economy: Carlyle and Ruskin have called your science narrow and false—the *dismal science*. We now see that they were right.

In 1816, in imposing upon us the aristocratic and exclusive system of Lord Liverpool, you compelled the English people to pay their creditors in

gold—the rare metal, the dear metal—instead of in silver, the metal established—one might almost say consecrated—by history. You have violated our right, acknowledged by the law of the realm, for our national pound—the pound of our forefathers, the pound of Elizabeth and of Newton—was a silver pound.

The pounds of our flesh, which Shylock takes from us, and the drops of our sweat, which we must let fall to help fill his money-bags, will go on increasing without end, until we shall be reduced to slavery and misery.

You let loose upon the world the crisis of 1816 to 1830, when you shut out silver from England, and now you have brought on the crisis of 1873-1880, by driving out silver from Germany.

You are mining our Indian Empire, which tells you so in a voice loud enough for you to hear.

You are disorganizing our commerce, and you are killing our industries.

The merchants of Liverpool, of London, of Glasgow, of Birmingham, of Manchester, and of all Lancashire, proclaim this fact.”—*L'Indépendance Belge*, April 26, 1881.

“As long as the French bimetallism was in action, these sudden variations in the value of silver were impossible. The price of silver could not depart from the par of 60½ pence established by the 15½, further than the divergence representing the cost of transporting the silver to Paris and coining it there.”—*L'Indépendance Belge*, April 26, 1881.

“Until within a short time past, the excellence of the English monetary system was a dogma—an article of the economic creed. Happy the people who could reach the gold standard; they were the elect of the commercial world.

M. Henri Gibbs, in his admirable pamphlet, *The Double Standard*, has shown, with the clearness of mathematical evidence, that the system of the exclusive gold standard had worked an injury to England herself and to the world, and had been able to sustain itself only by deriving support from French bimetallism.

M. Dana Horton, one of the delegates of the United States to the Monetary Conference at Paris, in his book, *Silver and Gold*, a work replete with profound insight and filled with curious facts, has proved the following propositions :

First—England, by the substitution in 1816 of the gold for the silver standard, aggravated the condition of all debtors, and of the whole English nation, as taxpayers, by unjustly favouring creditors and fundholders.

Second—By bringing about this change at a time when the production of the precious metals had considerably diminished, England precipitated throughout the entire world an acute crisis of monetary contraction and of fall in prices, from which she herself suffered more, perhaps, than the other nations.”—*L'Indépendance Belge*, April 26, 1881.

M. Mees, the eminent director of the Netherlands Bank, said, at the Monetary Conference of 1878 :

“If it is asserted that universal bimetallism is a utopia, I reply that universal monometallism is an impossibility.”—*L'Indépendance Belge*, May 2, 1881.

"How can the scarcity of gold produce crises? To explain this, we need only epitomise what Messrs. R. Giffen and Ernest Seyd have said on the subject of the crisis of 1874-80, which they both attribute to the demonetisation of silver. All economists agree that if the quantity of coin is diminished, prices will be lowered. During the last few years the usual influx of coin has been markedly reduced by three causes: (1) Less gold has been produced. (2) More gold has been required. (3) And silver, everywhere under a ban, has not been able, as it was formerly, to serve as an auxiliary to gold. The consequence has been an average fall in prices, which I have shown to amount to 24 per cent., says Mr. Giffen, so that prices have fallen, according to him, below those of 1850. The consequences are clear; they have been necessarily expressed by bankruptcy, as is proved by the increasing number of failures from 1873 to 1880. While the price of products is falling, it is clear that commerce, industry, and agriculture must suffer and advance towards ruin. In reality salaries, fixed interests, taxes, and all fixed charges remain the same, and the means of meeting them diminishes every day."—*L'Indépendance Belge*, May 2, 1881.

M. Pirmez said at the Conference of 1878: "Destroy all the silver, and the gold which will remain will be worth as much as the two metals together were before."—*L'Indépendance Belge*, May 2, 1881.

"Mr. R. Giffen, at the conclusion of an essay on the recent crisis, read before the Statistical Society of London, in March, 1879, expressed himself thus: 'It would be a real calamity for the business world if another demand for gold were to be produced like that which has been recently made by Germany and the United States; even a very much smaller demand would be a very serious affair, of which the consequences would be very speedily felt.'

Now let us listen to what Mr. Söetbeer says (*Deutsche Schrift, &c., Jahrbücher für National-ökonomie*, July 15, 1880, p. 12). Speaking of monometallism, as it is generally adopted, he says: 'This solution of the monetary question would be, in theory, doubtless the best; but the impossibility of its realisation is so evident, that in studying it from a practical point of view, it is useless to stop to discuss a measure which would result in a depreciation of silver and a lowering of prices to an incalculable amount.'—*L'Indépendance Belge*, May 2, 1881.

"The value of money has been settled, by general consent, to express our wants and our property, as letters were invented to express our ideas; and both these institutions, by giving a more active energy to the powers and passions of human nature, have contributed to multiply the objects they were designed to represent."—*Gibbon's Decline and Fall of the Roman Empire*, chapter 9.

"The quantities of gold and silver procurable will prove no more than sufficient to meet the exigencies of an enormously increased population, and an augmenting commerce and industry. Providence seems to have originally adjusted the relative values of the precious metals, and the fact that their relations have remained the same for ages will survive all theories.—*Sir Roderick Murchison*.

“No reason can be more urgent in inducing a nation to alter its money standard, than the fact that other nations have introduced changes in their monetary systems which threaten injury or destruction to the prosperity of their neighbours.’

So wrote, in the year 1761, a Privy Councillor for Finance of Frederick the Great of Prussia.

In those days, silver being, according to this authority, an important product of German mines, ‘the interests of Germany demanded that she should further with the greatest zeal the raising of the price of Silver.’” *—
Page 13.

“If, therefore, M. Mannequin’s position be correct—if, in a word, gold be the keel, the ballast, or unalterable seat of the centre of gravity, and controller of movements of the entire bulk of the precious metals—our conclusion seems justified that it was undesirable to shift gold bodily to one side.

A still further question may be suggested. Had the coinage laws of the United States and France fixed a higher value upon gold, so that gold, instead of silver, had been in 1815-20 the cheaper legal tender in these countries, would it have been possible for England to resume specie payment in gold?

Again, would it have been possible for England to resume in gold had the Holy Alliance signalled its triumph over the aspirations of Europe by the adoption of the sacro-cæsarean metal within the domain of its police?

The questions answer themselves. It is evident at a glance that the Acts of 1816 and 1819 existed by favour of the silver law of Germano-Austrian countries and the bimetallic law of France and of the United States.

It is to the acts of omission and commission of Continental and American Legislation that the English sovereign owes its creation and its power.

EXPLANATORY NOTE.—As I can point to no distinguished authority in support of the views set forth in this chapter, it occurs to me to add these words of explanation, in answer to a possible objection, ‘If this be true, why have we not heard of it before?’

It is a strange fact, but there is no broad and impartial history of the period of restriction and resumption in existence. A library has been written about it, but there is a controversial tone in even the most sober

* Money was regarded by the Romans as sacred, and was coined in their temples at the cost of the State.

And such is still the fact with those nations that understand their interest and the nature of commerce and of money, and withal regard the rules of equity as a duty.

Money is a part of the general law of nations, and it is therefore necessary that a Prince, in establishing their true value, put [the money of his State] into a correct relation to the coins of other States, if his subjects are to deal with them without loss.

Alterations of money have at all times carried great disorder in States, and have been most injurious to the common weal.

productions from Tooke's History of Prices to Levi's History of British Commerce.

The *sacra necessitas* of war is wont to assert itself wherever science seeks to establish its principles through political triumph, and the irrepressible conflict between paper and metal, which raged so fiercely in the days of restriction, has never yet been entirely set at rest.

Now, the resumption of specie payments was the pride and the glory of 'the economists,' as they were called *par excellence*; and science, 'turned politics, was intolerant of criticism. While the main question was undecided, the Procrustes bed, 'he that is not for us is against us,' was set in use for thinkers, and the truth that was arrayed against the form of the measure was sacrificed for the truth that inhered in its substance.*

The attack of the opponents of resumption upon the new coinage system led to its defence by Peel, and in the then undeveloped state of monetary theory, gold monometallism was permitted to become identified with what was sound in the doctrine of resumption.

It was mainly to this companionship that the gold standard was indebted for its dignity.

It was allied in men's minds with the resolve of the leading men of England that the paper issued in the time of war must be paid in full in time of peace, and that in future bank-notes must for ever be convertible into coin; and so, by a not unnatural confusion of thought, Englishmen came to regard the yellow and light pound sterling coin of the Regency as something more 'honest' and more 'English' than the heavier white coins which had made a pound sterling in the time of Elizabeth.

Of course, when the contest of resumption was over, the harm was done: the redistribution of wealth had taken place, and later still the new tide of prosperity swept the field.

What was done could not be undone. The new distributees of wealth were acquiring vested rights. A counter-revolution of the value of money, while injuring the interests of all, was not likely to bring compensation to those who had lost before.

Hence, as far as the adoption of gold was concerned, no failure of supply supervening, there was no strong reason why by-gones should not be by-gones, and the agitation for the restoration of silver was lost sight of in the then more absorbing problem of banking policy.

Meantime the *auri sacra fames* held uninterrupted sway!

There is a *nuireté* in the attachment which seems to be felt for the yellow coin, in the presence of which I feel that what I have said of the English (gold) sovereign would seem in some quarters like lese majesty, and awaken horror as of one who had 'imagined the death of the king.'

O sancta simplicitas!

It may have been wise policy to make the yellow metal sole unlimited legal tender for the period of resumption; but neither in the reasons given at the time, nor in the argument of gold monometallists of to-day, if I have read them aright, can be found adequate material for assurance of this wisdom.

If the upheaval of the value of gold, which threatens England to-day for the first time since 1816, and the alarms for the future of the British Empire in India, should lead Englishmen to study the bearing of these questions with a view to the interests of the whole people, which rule England to-day as they did not in 1816, it will, I believe, become apparent to the liberal mind that the demonetization of silver is perhaps the only relic

* So in like measure to-day in Germany, coinage reform has become, to the detriment of science, a fertile source of 'mutual excommunication,' and the United States has been assailed with the same danger.

of the ideas peculiar to Lord Liverpool's administration, which the tide of reform has permitted still to cumber English ground."—*Page 98.*

"Since the dawn of commerce it has been a prerogative of the incorporated will of political society to control and limit the ratio between the metals used as money.

In classic Greece it was numbered first among the subjects of the 'Economy of a King,' to know 'what coin should be raised or lowered in price, and when.'

An inscription in Egypt is said to tell of an edict of the sixteenth century B. C., fixing the rates at 1 to 13½.

Livy tells of a treaty of the Romans with the Ætolians, fixing upon payments in gold and silver at the relation of 1 to 10. And so the line of laws proceeds till we see Germany, in 1871, announcing a new coinage of gold, at the ratio of 1 to 15½ of the existing Silver Coinage."—*Page 116.*

"Every commodity has two uses: one peculiar to it, the other less peculiar to it. As, for example, a shoe is primarily made to be worn, but still may also be exchanged for something else.

In fact, however, shoes are constantly worn, and they are but rarely exchanged for other things.

So of most commodities; they are, in general, used for purposes peculiar to them. It is evident that this use of being exchanged for something else is not peculiar to any one commodity, but is shared by all commodities.

But for what are gold and silver used? For what are they 'made,' in the sense of being mined and purified? Are they made or chiefly used for uses peculiar to gold and silver—for gilding, or for jewellery, or plate, or what not? Or are they made and chiefly used for this purpose which they share with all other commodities—namely, to be exchanged?

Plainly the latter. They are therefore different in this from all other commodities; that their chief use is not their primary use, as individual commodities, but their secondary use, which they share with all other commodities."—*Page 117.*

"And yet, even had the anticipations of an increased annual product of gold been realised (as they have not been), the change, tending, as it must, to increase the value of gold, as well as to diminish the value of silver, meant that millions who had sown should not reap, and that many should reap who had not sown; while, in the main, it meant, in the Western World, profit to creditors at the expense of debtors; profit to Europe at the expense of the United States; profit to specie-paying, at the expense of non-specie-paying nations."—*Page 14.*

"The course of instruction has been a severe one; a myriad of lives have been blasted through the fluctuations of values and paralysis of industry of the past few years, in producing which monetary legislation has been so important a factor; but for the enduring generations, of course, the gain will be great, if only the lesson be comprehended."—*Page 14.*

"For it was not without clear warning and prophecy of evil that this movement was entered upon;* and the present hope for united action in a common interest rests less upon faith in equity than upon the chance that the self-interest of the various nations may be awakened to a sense of personal danger."—*S. Dana Horton—"Silver and Gold and their relation to the Problem of Resumption," p. 15. 1877 (Cincinnati, Clarke & Co.)*

* Notably by Cernuschi, De Laveleye, and Seyd, then among the honoured living, and chiefly to Wolowski, among the honoured dead.

